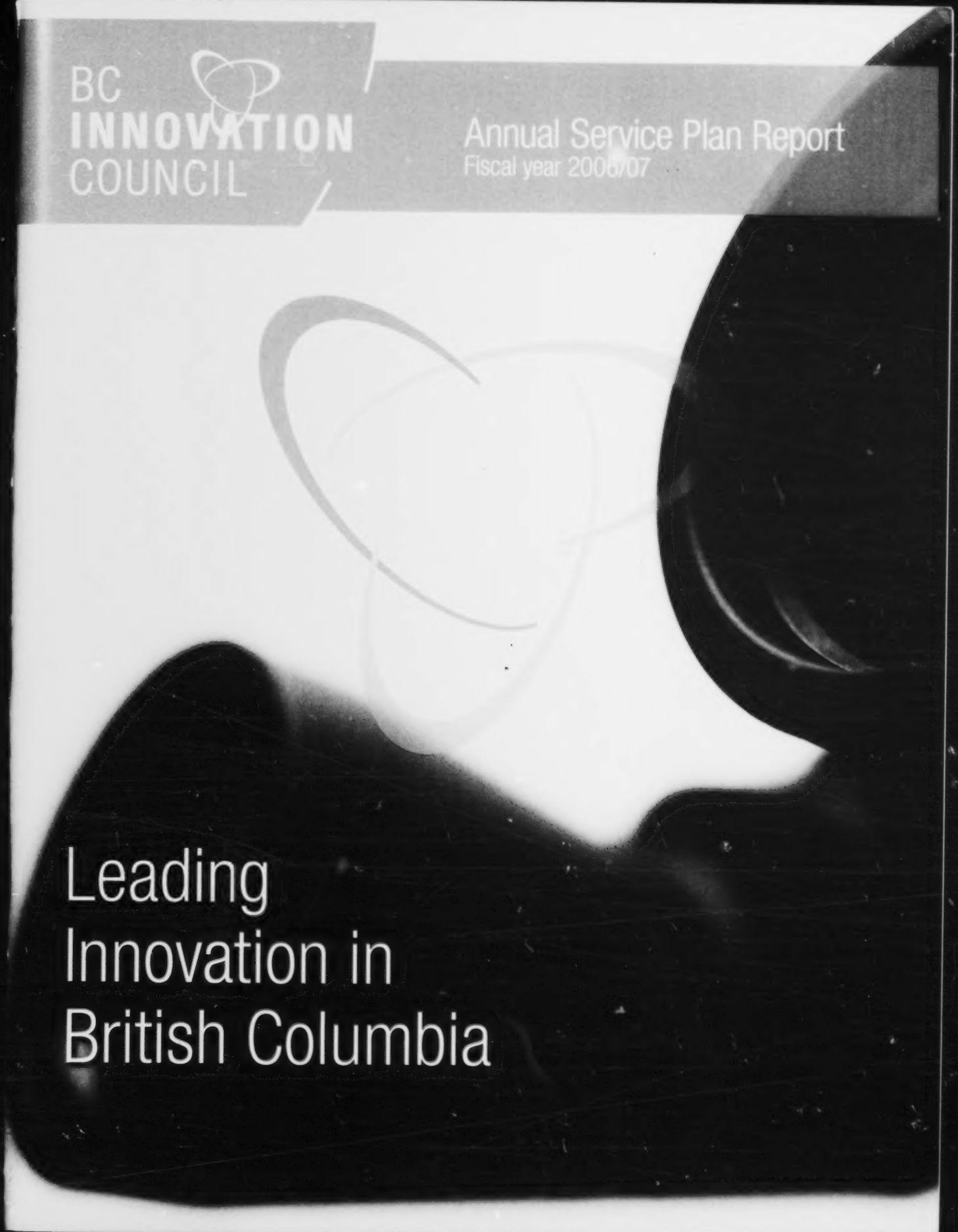
BC INNOVATION COUNCIL

Annual Service Plan Report

Fiscal year 2006/07



Leading Innovation in British Columbia

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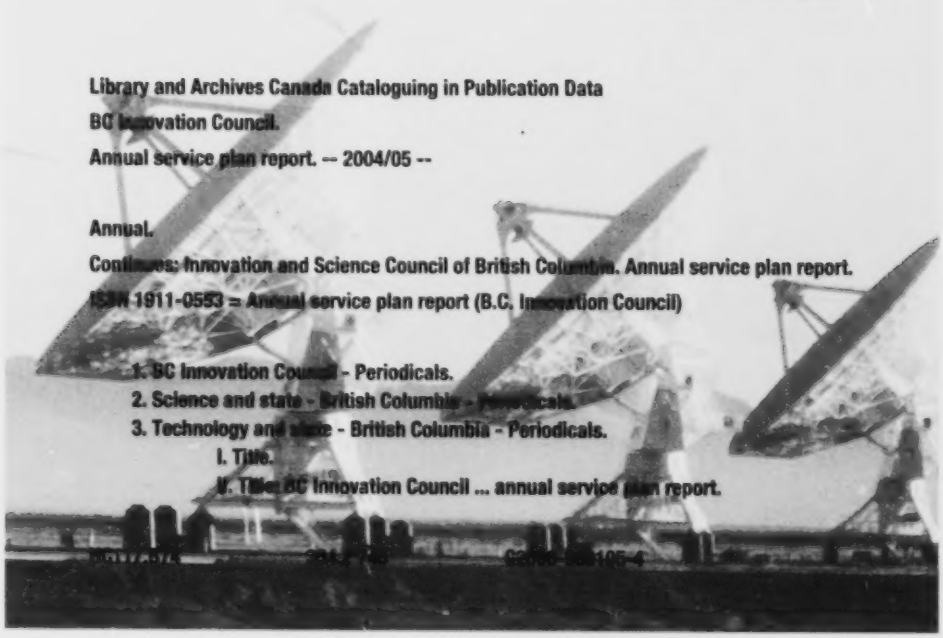

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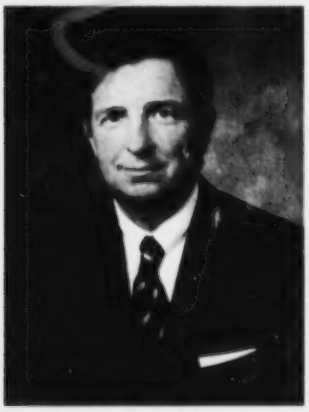
MESSAGE FROM THE CHAIR TO THE MINISTER RESPONSIBLE



Hector MacKay-Dunn, QC
Chair, BC Innovation Council

I am pleased to present the BC Innovation Council ("Council") Annual Service Plan Report, for the 2006/07 fiscal year. This plan is presented in accordance with Section 13 of the Budget Transparency and Accountability Act.

This past year has been an active period as the Council's board, the majority of its members of whom were appointed at the close of fiscal year 2005/06, began formulating the Council's future plans to set the organization on a firm foundation. The board's membership includes, in addition to myself, Mr. Greg Aasen, Chief Strategy Officer for PMC-Sierra; Mr. Jock Finlayson, Executive Vice-President - Policy for the Business Council of British Columbia; Mr. Richard Glickman, Co-Founder, Chairman and CEO of Aspreva Pharmaceuticals; Dr. Ken Higginbotham, Vice-President, Forestry and Environment for Canfor; Mr. Greg Kerfoot, Chairman of the Vancouver Whitecaps Football Club and former President, CEO and Chairman of Crystal Decisions; and Dr. Alan Winter, President and CEO of Genome British Columbia.

The board recognized the importance of taking immediate steps to fill critical gaps in the commercialization lifecycle within British Columbia and therefore began the process of developing two scholarship awards designed to bridge graduate students in engineering and science disciplines with MBA students. The goal of these scholarships is to ultimately increase the pool of highly qualified researchers with commercialization skills as well as technology entrepreneurs and managers in British Columbia.

The board and management's dedicated efforts have resulted in the launch of the BC Industrial Innovation Scholarship for engineering and science graduate students and the BC MBA Access to Commercialization Scholarship. Each scholarship partners an engineering or science graduate student with an MBA student in order to collaborate on a technology development project, create a business plan and pitch the opportunity to a panel of investors and industry representatives.

Both of these scholarships are the first of a suite of innovative programs under the Council's ACE initiative. The goal of ACE, which stands for Accelerated Commercialization Enhancement, is to accelerate commercialization to enhance British Columbia's technology industry. We look forward to announcing additional programs under the ACE initiative during fiscal year 2007/08 that address gaps throughout the entire commercialization lifecycle.

From a leadership standpoint, the Council was successful in its nation-wide search for a new Chief Executive Officer. Mr. Matthew Watson brings a blend of skills, energy and experience to the Council and I look forward to working with him to fulfill the Council's mission of creating the conditions for top-tier innovation and commercialization within the province in partnership with government, industry and academia. He joins Cindy Lum, Chief Operating Officer, who together constitute the Council's executive office.

The Council continued with many of its important activities from the previous year at the same time as its new programs were being developed. These activities, as outlined in the following sections of this report, have been reported against the same performance measures used in the previous year in order to present results that most appropriately follow British Columbia's Reporting Principles: primarily, to maintain comparative information across relevant years. The Council's activities for subsequent years will be reported against performance measures based on the most recent service plan.

The Council ended the year in a strong financial position. The financial statements reflect the Council's assumption of the BC Advanced Systems Foundation's assets and liabilities, as directed by the Province of British Columbia. The assumption agreement gives legal effect to the merger of the two organizations announced in 2004.

During the year, the Council secured additional funding from the Province that increased the Council's budget by $1.8 million. This increase was allocated to launch its new programs as well as to fully support all nine regional science, technology and innovation councils throughout British Columbia.

Much of this progress would not have been possible without the support of key individuals involved with the Council. To Premier Campbell, thank you for your support for innovation in British Columbia and the challenge you have placed upon the Council to become the lead organization in the province to drive commercialization. To the Council's responsible Minister, the Honourable Murray Coell, thank you to you and your staff, particularly Deputy Minister Dr. Moura Quayle, for the day-to-day practical collaboration and partnership activities.

Message From The Chair To The Minister Responsible

I would also like to extend a warm thanks to my fellow board members including Dr. Tim Walzak, President and CEO of University of Victoria's Innovation Development Corporation, and Dr. Max Blouw. Thank you for a year that solidified the leadership of Council and that set a firm foundation for future growth.

Dr. Walzak served a full six-year term on the board and played a significant role in directing the organization throughout its most tumultuous period. Dr. Blouw, who will be ending his term as Vice President of Research at the University of Northern British Columbia in June 2007, will be taking on a new challenge as President of Wilfred Laurier University in September 2007. With this relocation, he has chosen to step down as a Council board member. Both gentlemen will be missed on the Council's board, however, I look forward to their continued active involvement in British Columbia and Canada's technology community.

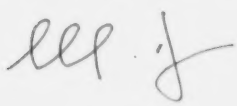
Innovation and commercialization play an important role in British Columbia's economy. As we move forward, the key challenge will be to capitalize on our province's strengths in order to address its short and long-term challenges. Vast natural resources, a diversified economy, world-class researchers and research centres, and a close knit community of technology entrepreneurs and innovators are provincial strengths that should be leveraged to address challenges faced by the technology community, such as, the availability of venture capital, the development of executive management and technical expertise and the formation of a critical mass of companies. With this in mind, the Council's board and management are working towards finalizing and implementing a strategic plan in the coming months in order to ensure that British Columbia becomes a powerhouse of innovation.

The 2006/07 BC Innovation Council Annual Service Plan Report was prepared under the board's direction in accordance with the Budget Transparency and Accountability Act. The board is accountable for the contents of the report, including what has been included in the report and how it has been reported.

The information presented has been prepared in accordance with the BC Reporting Principles and reflects the actual performance of BC Innovation Council for the twelve months ended March 31st, 2007. The measures presented are consistent with BC Innovation Council's mission, goals and objectives, and focus on aspects critical to the organization's performance.

The board is responsible for ensuring internal controls are in place to ensure performance information is measured accurately and in a timely fashion.

All significant decisions, events and identified risks, as of May 1st, 2007, have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgment of management. Any changes in mandate direction, goals, objectives, strategies, measures or targets made since the February 2006 service plan was released and any significant limitations in the reliability of data are identified in the report.



Hector MacKay-Dunn, QC
Chair, BC Innovation Council

ORGANIZATIONAL OVERVIEW

The BC Innovation Council ("Council") is a Crown agency of the Province of British Columbia that was formally launched in October 2004. The Council was formed through the merger of a leading British Columbia technology Crown agency, the Innovation and Science Council of BC, and the non-profit organization, the Advanced Systems Institute of BC.

Vision

The Council's vision is to create the conditions for top-tier innovation and commercialization within British Columbia in partnership with government, industry and academia.

Mandate

The Council operates under four strategic mandate areas:

1. Accelerate commercialization programs for early stage and rapid growth companies to expedite the introduction of world-class technology based products to international markets;
2. Capitalize and expand technology transfer by getting research results with clear economic potential out of the university laboratory and research institutions and into the commercialization process as quickly and efficiently as possible;
3. Partner in the development and promotion of a province-wide strategy for science, innovation and technology development; and
4. Build public awareness for science and technology to recognize high achievement of the province's researchers, scientists and technology entrepreneurs and encourage the province's youth to consider pursuing research and technology-related careers.

Values

The following values drive the actions of the Council in the execution of its mandate. The Council's values guide daily operations by aligning its strategic efforts and activities in a manner consistent with being:

1. **Entrepreneurial** by identifying the needs of its primary market - the research and innovation sector in the province - and ensuring that it carries out market-driven activities.
2. **Innovative** by pursuing opportunities that ensure its resources are effectively leveraged and sustainable activities are developed.
3. **Accountable** for its activities and ensures efficient, transparent and fair processes are followed.
4. **Partner-driven** in its collaborations with other organizations in order to bring value-added benefits to its primary market.

Organizational Structure & Primary Business

The Council consists of a team of thirteen professionals led by Matthew G. Watson, recently appointed Chief Executive Officer, and Cindy Lum, Chief Operating Officer. The Council's seven-member board is chaired by Mr. Hector MacKay-Dunn, QC, and is responsible to the Honourable Murray Coell, Minister of Advanced Education and the Minister Responsible for Research and Technology.

The Council operates under the British Columbia Innovation Council Act, which is the result of an amendment, made official on March 29, 2006, of the Act under which the predecessor Crown agency operated.

The Council's primary business is to help advance British Columbia's economic development and global competitiveness through innovation and commercialization. It provides companies, educational institutions, technology industry awareness groups, and federal science and technology agencies, with a single access point to important resources and programs supporting innovation and commercialization within the province.

Benefits to British Columbia

Innovation is a key element of a prosperous and growing economy. In British Columbia, innovation has important economic impacts on industry sectors ranging from high technology to natural resources, as well as impacts on social sectors ranging from education to health. The Council's activities to develop sector wide innovation and commercialization, provides British Columbians with important benefits including:

1. Improving British Columbia's global competitiveness in key industry sectors through the coordination and funding of sector wide research and industry development activities;
2. Assisting the creation of small, early-stage companies through the Council's own initiatives, its partner organizations as well as support of organizations throughout British Columbia involved in regional economic development activities;
3. Working to establish British Columbia as a major technology centre through the development of key anchor companies and research centres that provide a critical mass of resources;
4. Recognizing innovative British Columbians on an annual basis, who have provided exceptional contributions to the areas of research, technology development, science communications and entrepreneurship; and
5. Encouraging youth in the province to pursue science and technology-related careers through fellowships, scholarships, awards and career events.

The programs and services of the Council are relied upon by various groups including companies, educational institutions, research labs, regional science, innovation and technology councils, and federal science and technology agencies.

The Council strives to achieve a high level of customer satisfaction. Many of the groups it serves are represented on the board as well as on its various sector development and review committees. Therefore, the Council keeps in close communication with its clients through these representatives and provides them with a mechanism to steer initiatives that are appropriate for these groups. In addition, the Council conducts surveys and accepts feedback as part of an overall continuous improvement process. Through ongoing interaction, feedback and communication with its clients, the Council endeavours to maintain an overall level of customer satisfaction within its client groups.

Core Business Areas & Major Programs and Initiatives

The Council's primary role is to advance province-wide economic development and enhance British Columbia's competitiveness in the global marketplace through innovation and commercialization.

The volunteer board, which was appointed in March of 2006, is now poised to work with the newly appointed Chief Executive Officer, to review, refine and redevelop if necessary, the existing core business and programs of the Council in order to ensure that its activities continue to meet the growing needs of the research, technology and innovation sectors. The core business of the Council presently consists of the following three areas:

The Council's sector development initiatives support technology development, transfer and commercialization across industry sectors in British Columbia that create, improve and/or utilize science and innovation.

Key sector development initiatives includes:

1. **Oceans, marine and energy** through support of an Oceans/Marine & Energy, Sector Development Officer that develops and coordinates collaborative projects and initiatives between industry, academia and government.
2. **Aquaculture** through support of the BC Aquaculture Research and Development Committee, which serves to coordinate the province's aquaculture research activities as well as communicate and disseminate such research to industry, government and academia.
3. **Agri-food and bioproducts** through a close working relationship with representatives in the Industry Competitiveness Branch focussed on innovation at the Ministry of Agriculture and Lands to develop initiatives that will encourage communication, collaboration and coordination in the sector.
4. **Health product and functional food** by assisting with the management and administration of a research and industry development fund.

The Council manages a number of programs and initiatives that support research and innovation development throughout the province.

Key Council programs and initiatives include:

1. **Science & Technology Fund** to support seven regional science, technology and innovation councils and six university-

industry liaison offices and technology transfer centres at key post-secondary institutions throughout the province. In fiscal year 2006/07, the Council secured one-time additional funds to increase support to the seven regional councils and to fund two additional councils.

2. **Aquaculture and Environment Fund** ("Aqua E-Fund") to support research on the environmental aspects of finfish and shellfish aquaculture in order to enable adoption of sustainable management and operational practices as well as address questions of public interest and policy.
3. **Health Products and Functional Food Program** to support enhanced communication and coordination; increased industry marketing and promotion; and targeted research and development for the functional food and natural health product sectors in British Columbia.
4. A funding initiative for the agriculture, food and bioproducts sector that is currently being developed in collaboration with the Ministry of Agriculture and Lands with funding priorities to be announced in the near future.
5. Post secondary faculty fellowship opportunities designed to increase research capacity in the province with strong industry links.
6. **University-College NET** (UCNET) to support increased internet bandwidth for regional colleges and university-colleges throughout the province.
7. **IBM** Canada Pacific Development Centre Scholarship, a collaborative scholarship between IBM Pacific Development Centre and the Province of British Columbia to students pursuing computer-related undergraduate degrees.
8. **Paul and Helen Trussell Science and Technology Scholarship** to support students from the Kootenay-Boundary region pursuing natural and applied sciences undergraduate and Masters degrees.
9. **TRIUMF High School Fellowship** offering a six-week work term for students entering university at TRIUMF, Canada's national particle and nuclear physics laboratory.
10. **Office of International Partnerships** (OIP) to establish and develop key strategic partnerships with foreign governments, in order to assist British Columbia companies in developing international markets.
11. **Natural Resources and Applied Sciences Endowment Fund**, a $50 million endowment established by the Province of British Columbia and stewarded by the Council to further address the research needs in the natural resources sector and encourage further research in the area of applied sciences.

The Council communicates the province's research and innovation capabilities, accomplishments and opportunities to industry, companies, academia, government, students and the general public, in order to create awareness, build knowledge and encourage industry-wide innovation.

Key Council initiatives include:

1. **BC Innovation Council Awards**, an annual award program recognizing five British Columbia scientists, engineers, industrial innovators and science communicators who have provided outstanding contributions in the areas of research, technology development, science communications and entrepreneurship.
2. **Student Career Development Program**, which coincides with the Council's annual Awards Dinner to host the 50 regional student science fair winners in the province to a two-day science career program.
3. **Science Achievement Awards** that recognizes the top grade 12 science student at each high-school in British Columbia.

The Council's core business areas and programs throughout the year have been maintained at previous year levels while the Council's board and management team finalize a strategic plan. However, the Council was also developing new programs, which will be launched in 2007/08, that are key to meeting the evolving needs of the research, technology and innovation sectors in advance of the strategic plan.

New Programs

As part of the board and management team's recognition of the importance of launching new programs to fill critical gaps in the technology community, two new programs will be launched during the first quarter of the fiscal year 2007/08. They are the BC Industrial Innovation Scholarship and the BC MBA Access to Commercialization Scholarship.

Organizational Overview

The **BC Industrial Innovation Scholarship's** (BC-IIS's) goal is to increase the expertise of graduate students from British Columbia's post-secondary institutions in the combined area of applied research/technology development and business/commercialization in order to enable them to more effectively transfer into the province's technology industry. The scholarship will be awarded to graduate students in the areas of natural sciences, engineering and health research who undertake a research project that is appropriate to the background of the student and that has a strong potential for commercial success. The BC-IIS recipient will be required to participate in an entrepreneurship course and, with an MBA student, develop a business plan for the resulting technology and pitch the opportunity to a panel of potential investors and business executives.

The **BC MBA Access to Commercialization Scholarship** (BC-ACS) is geared towards MBA students with the goal of increasing the number of business graduates with technology commercialization experience and interest. The aim of BC-ACS is to partner one or more MBA students with one or more post-graduate students conducting a research project within the area of natural sciences, engineering or health research that has the potential for commercial success. Similar to the BC-IIS, the BC-ACS recipient will be required to participate in an entrepreneurship course, develop a business plan for the resulting technology and pitch the idea to a panel of potential investors and business executives. Other team members are encouraged to participate in these activities as well.

Principle Partners, Clients, Market and Stakeholders

The Council's principle market is British Columbia's research, technology and innovation sector, which involves the creation, development and further advancement of new ideas, knowledge, applications, products and services across the following areas:

Industry

- High technology companies
- Scientific research and advancement initiatives
- Technology industry organizations
- Companies in traditional sectors

Academia

- Research scientists
- Science and engineering students

Government

- Provincial Government Ministries
- Federal Government Ministries

Public

- High-school students pursuing areas of science and technology

In keeping with one of the Council's core values to be partner-driven, the Council strives to build collaborative efforts across industry, academia and government to bring value-added benefits to its primary market. The Council's principal partners include:

1. Federal and provincial government agencies
2. Research institutions
3. Industry with a focus on technology and regional groups
4. Volunteers, professionals, and organizations including:
    - scientists and research experts
    - representatives from government
    - public and private research institutions and labs
    - prominent technology entrepreneurs
5. International technology focused institutions and agencies of key Asia-Pacific trading partners, in particular China

With a province-wide mandate, the Council has a broad client base which includes companies and associations with an interest in technology development and application, educational institutions from high schools to post-secondary, technology industry awareness

groups, federal science and technology agencies, university research labs and international organizations and agencies in key geographic regions focused on technology development and application.

Location & Service Delivery

The Council delivers its services primarily through its Vancouver office. In addition, as an organization with a province-wide mandate, the Council collaborates with and funds organizations outside of the Lower Mainland, including regional science councils and university-industry liaison offices, to deliver programs and initiatives that are consistent with the Council's goals and objectives.

The Council's office is located in downtown Vancouver at the Leading Edge Technology Centre. It is co-located with leading technology industry associations and other complementary organizations that support the research, technology and innovation sector in British Columbia including:

1. Academy for Technology CEO's (AceTech)
2. BC Bioproducts Association
3. BC Nanotechnology Alliance
4. National Research Council – Industrial Research Program (NRC-IRAP)
5. BC Technology Industry Association (BCTIA)
6. BC Technology Social Venture Partners (BCTSVP)
7. LifeSciences BC
8. CNRG International Inc.
9. Ministry of Advanced Education
10. Invest BC (Ministry of Economic Development)
11. eLEARNING BC
12. Lion's Gate Learning Alliance
13. Leading Edge Endowment Fund (LEEF)
14. Wireless Innovation Network of BC (WINBC)

The Council develops and implements many of its programs and initiatives in-house. In cases where specialized expertise is required to carry out initiatives, it may contract work to outside contractors. In addition, the Council partners with a number of government agencies at the provincial and federal level, research institutions and industry and regional groups to carry out its activities under its core business areas through sponsorships, contribution agreements and other forms of support.

In keeping with one of the Council's values of being accountable, the external review process is a key element in its program delivery. In order to ensure a fair and transparent process, the Council's funding programs are based on a review process by a committee of independent experts in a particular field who are free from conflict. The strength of the review process by committee ensures that no one voice dominates a decision for funding. In addition, requiring reviewers to be free from conflict with applicants provides a high level of integrity. The Council benefits from a significant number of volunteers who lend their expertise as reviewers. Without volunteers, the Council would not be able to provide as high a level of service.

The Council, through its predecessor organizations, has a long history spanning 29 years of successfully navigating the complex landscape of science, technology and innovation within British Columbia. With strong support from the government, academia, industry, and research community, the Council endeavours to lead the development of the innovation sector.

Internal Operating Environment

The internal operating environment of the Council has undergone significant transitions during the past three years, including changes in responsible Ministry, board of directors, senior management, and status as a legal entity. The Council has recently emerged from this transitional phase with a solid fo tion in place, including the appointment of a new Chief Executive Officer, and a strong board comprised of members with extensive high-technology, research and industrial expertise.

Under the leadership of the new board and management team, the Council expects to forge ahead with the execution of its mandate.

Risk and Capacity Issues

Having successfully emerged from a prolonged period of organizational transition, the major challenges for the year have been mostly resolved. Although these transitions have affected the normal timelines for the development and launch of new programs and initiatives, the Council has been moving forward in these areas. Of note is the introduction of the first two of the Council's new programs under the ACE umbrella. The two programs are the BC Industrial Innovation Scholarship and the BC MBA Access to Commercialization Scholarship as described in "Core Business Areas & Major Programs and Initiatives". ACE, which stands for Accelerated Commercialization Enhancement, is the Council's flagship suite of innovative programs designed to accelerate commercialization to enhance British Columbia's technology industry throughout the commercialization life cycle presented in Figure 1.

With a staff of thirteen professionals, the staffing level of the Council has remained steady and adequate for supporting a constant level of activities to date. However, in order to enable the Council to fully pursue its intended purpose and mandate, a significant increase in activity and staffing resources would be required, along with a proportional expansion in current funding levels.

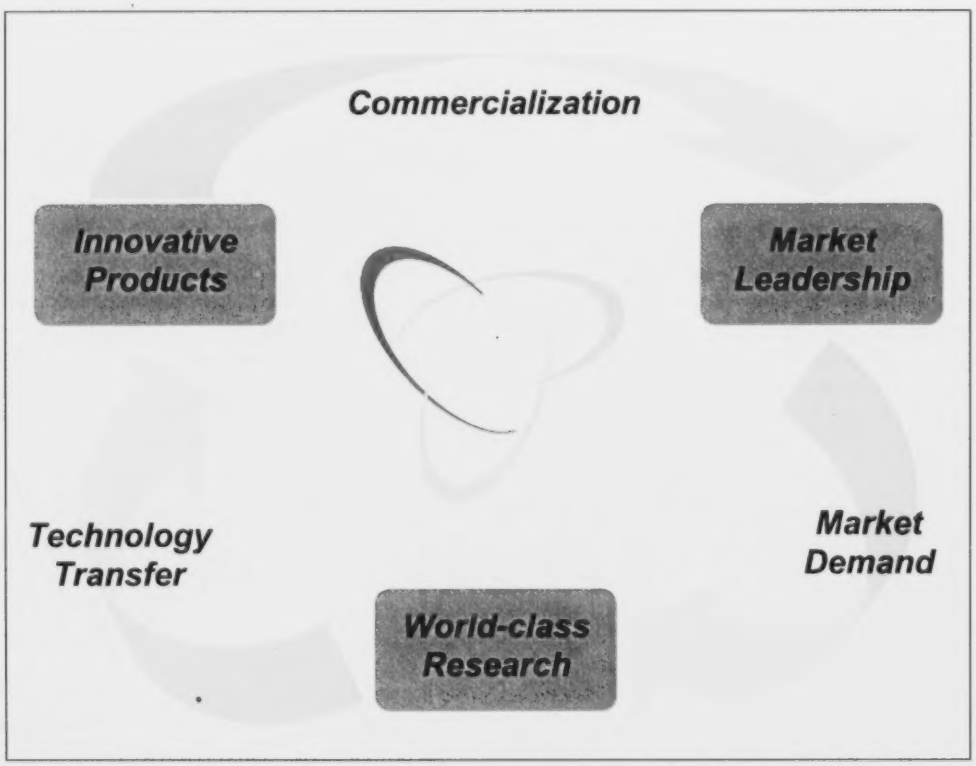


Figure 1 – Commercialization Life Cycle

To facilitate the development and support of new programs and initiatives, additional funding support for the Council will need to be secured in the future. At present, the Council secures funding from provincial government contributions, as well as other public and private organizations for project-specific and/or program delivery services. The Province has increased its support of the Council's base budget by $1.8 million in fiscal year 2006/07 and $4 million in 2007/08, which includes increased funding for regional science and technology councils. Such funding will enable the Council to increase its human resources capacity as well as support an expansion of its programs and initiatives. As part of its development, the Council continues to seek additional funds from the federal government, industry and academia to leverage its existing sources.

As the Council develops its strategic plan for future expansion, additional sources of funds and partnership agreements will be identified and explored. As additional funds become available, the Council will increase its scope of activities and operational capacity in the coming years.

External Business Environment

It has long been recognized that innovation is a key driving force in economic growth and social development. Organizations in British Columbia are confronted with growing competition from international markets, rapid technological change, and a shift towards a knowledge-driven economy. As organizations continue to re-evaluate their products and services to maintain competitiveness in the global economy, innovation and commercialization have become of paramount importance to overall economic development.

According to the Organization for Economic Co-operation and Development (OECD) reports in 2005 and 2006, Canada's ability to produce high value-added, knowledge-based products has declined relative to that of other countries, due to a below average performance in the innovation sector compared to other G7 economies. This has negatively impacted Canada's business competitiveness with a slip in ranking to 16th by the World Economic Forum.[1] The correlation between innovation and regional economic development has increased significantly over the past 15 years. Recent studies indicate that technological progress is now responsible for up to one half of the growth of the US economy. [2,3]

Within Canada, British Columbia currently ranks fourth in the country behind Ontario, Quebec and Alberta in most measures of high technology including GDP, revenue, employment and value of international exports. [4] With the significant growth of the high technology sector in British Columbia during the past decade, innovation and commercialization continues to play an important role within the province for economic development.

- British Columbia's high technology sector continues to grow with a 2.4% increase in GDP in 2005 to $8.7 billion (1997 constant dollars).
- High tech service exports jumped 12.1% to almost $2.3 billion.
- Employment in the high tech sector rose 2.9% with increases in the service and manufacturing sectors.
- There was a 4.5% jump in the number of high technology establishments in British Columbia, with 8,748 high technology establishments. Approximately 91% of high technology establishments were in service industries and 9% in manufacturing industries.

- British Columbia's level of growth of real GDP per capita ranked second in Canada at 2.4% compared to an average of 1.9% for other provinces, ahead of the national average every year since 2002.
- British Columbia's employment rate ranks fifth overall in Canada at 72%; however, on a per capita basis British Columbia created the most jobs in Canada in 2005.

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[1] Premier's Technology Council. 8th Report, March 2006, page 4. Guy Stanley. "What's Wrong with Canada's Innovation?", Policy Options December 2006-January 2007, pages 87-92, see also Ontario's and Quebec's recent innovation strategies.

[2] Western Economic Diversification Canada, "A Catalyst for Innovation in Western Canada", March 2003.

Wendy H. Schacht. The National Council for Science and the Environment, "Industrial Competitiveness and Technological Advancement: Debate Over Government Policy, Brief for US Congress", September 2000.

[3] BC Stats & the Ministry of Economic Development, "Profile of the British Columbia High Technology Sector", April 2007.

All facts & figures in this section from BC Stats & the Ministry of Economic Development, "Profile of the British Columbia High Technology Sector", April 2007.

[4] All facts & figures in this section from BC Progress Board, "Sixth Annual BC Progress Board Benchmarking Report", December 2006, except where noted.

- Labour productivity in British Columbia, measured in terms of real GDP per hour worked, ranked fifth in the country and has remained relatively unchanged since 2002. Growth in productivity is important to improve income levels, public services and the overall standard of living.
- British Columbia ranks second in the country in terms of number of university graduates at 24.5%, behind Ontario at 27.2% and ahead of Alberta at 23.9% and Quebec at 23.3%.

Research and Development in British Columbia[7]

- British Columbia ranked fourth in Canada for spending on research and development at 1.45% of provincial GDP in 2004. Average spending in British Columbia on research and development as a percentage of GDP was roughly half of Quebec and Ontario, and less than one-third of Washington and California.
- In 2004 businesses in BC funded 41% of a total of $2.3 billion provincial research and development spending (GERD); this compared to 54% of a total of $7.2 billion in Quebec.[8]
- Available venture capital funding has increased in the past[9], yet is predicted to begin to decline in 2010.

The Council's external business environment shows favourable conditions for the development of innovation and commercialization within the province. The economic and industry factors indicate a relatively strong economy, a growing high technology sector, expanding high technology exports, and opportunities for further research and development.

The continual growth of British Columbia's high technology sector has resulted in an escalating need for support for early-stage companies involved in research and development. The importance of research and development activities in stimulating innovation, productivity and overall economic development is widely recognized. The current lack of research and development spending in British Columbia compared to other provinces can be attributed to several factors including:[10]

1. **Reliance on Natural Resources:**

   Commercial activity in British Columbia has been focussed primarily in the forestry sector, which has limited the growth of research centric industries. High technology industries typically represent the largest share of Business Expenditures on Research and Development (BERD) as a percent of GDP in most countries.

2. **Large Service Sector:**

   British Columbia has one of the largest service sectors in the country, with above average shares in health and social assistance, education, finance, real estate, transportation and tourism. Service industries typically have less research and development activities.

3. **Underdeveloped Venture Capital Market:**

   In 2005 $226 million was invested in British Columbia compared to $751 million in Ontario and $710 million in Quebec. Western Canada currently receives only 14 percent of venture capital funds available in Canada.

4. **Research and Development Clusters:**

   Although British Columbia has the necessary infrastructure to support research and development, the majority of Canada's research and development efforts are still concentrated in Ottawa, Toronto and Montreal.

There is a currently a need within the province and an opportunity for the Council to encourage private investment into early stage companies and to further promote innovation growth and commercialization success in British Columbia. In addition, the Council has identified further opportunities to build and strengthen the correlation between academia and industry to share knowledge and create innovative products. With the need for further development of research capacity within British Columbia, the Council has been engaged in supporting a number of research projects and opportunities through its broad efforts in sector development and various research funds. In addition, its two new scholarship programs address the importance of skills development of both technical and business professionals with commercialization expertise.

The Council has also established an Office of International Partnerships (OIP) to meet the growing demand of British Columbia companies looking to export technology, products and services to international markets. The OIP provides companies with assistance in forming

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[7] All facts & figures in this section from BC Progress Board, "Sixth Annual BC Progress Board Benchmarking Report", December 2006, except where noted.
[8] Statistics Canada: Domestic spending on R&D (GERD), funding sector, by province. Catalogue 88F0006XIE.
[9] Premier's Technology Council, 8th Report, March 17, 2006, Page 18.
[10] All facts in this section from BC Progress Board, "Sixth Annual BC Progress Board Benchmarking Report", December 2006.

collaborative research projects across an international research base, as well as assistance with entry into new markets.

The 2006/07 and the 2007/08 Service Plans were developed while the Council was amidst significant transition as described in the "Risks and Capacity Issues" section. The new goals, objectives and measures in the 2007/08 Service Plan as outlined in Appendix A were developed in the absence of a signed Shareholder's Letter of Expectation and in the absence of the Council's strategic plan.

The Council, in consultation with the Ministry of Advanced Education and the Crown Agencies Secretariat, has determined that it would be appropriate to report the Council's activities in this reporting period based upon goals, objectives, measures and targets carried forward from the 2005/06 Annual Service Plan Report. Since the Council's activities have primarily remained the same as the previous year, due to the ongoing structural transitions that have taken place, this approach would provide a fair comparison of relative performance, and therefore most appropriately follow British Columbia's Reporting Principles.

GOAL 1: IMPROVED SCIENCE & TECHNOLOGY-BASED INNOVATION AND DEVELOPMENT

Improved science and technology-based innovation and development is important because it works towards two of the Council's most critical mandate areas of:

- accelerating commercialization programs for early stage and rapid growth companies to expedite the introduction of world-class technology based products to international markets; and
- capitalizing and expanding technology transfer by getting research results with clear economic potential out of the university laboratory and research institutions and into the commercialization process as quickly and efficiently as possible.

Objective 1.1: To increase successful research, technology transfer and commercialization activities in key sectors of the economy

Performance Measure	Definition	2004/05 Actual	2005/06 Actual	2006/07 Actual	2005/06 Targets Carried Forward to 2006/07
Progress in the assessment and development of recommendations to improve technology transfer systems.	Milestones in efforts to improve technology transfer systems and processes.	Put on hold. It was determined that recommendations would be brought forward once the new strategic plan is finalized.	Delayed due to transition as noted in 2004/05. Will revisit the appropriateness of this measure in 2006/07.	New study initiated. Commissioned and participated in a study on university-industry collaboration and knowledge transfer systems in BC.	Follow-up/new study initiated as appropriate.
Sectoral development priorities established for advancing science-based opportunities.	Milestones in efforts to determine science and technology needs and opportunities in the development of key sectors of the economy.	Sectors identified: - Aquaculture - Oceans / marine - Health products & functional foods - Bioproducts	Sectors identified: - Aquaculture - Oceans / marine - Health products & functional foods - Agri-Food and Bioproducts	Sectors identified: - Aquaculture - Oceans / marine - Health products & functional foods - Agri-Food and Bioproducts	Sectoral priorities reviewed / identified.
		- Ten Aqua E-Fund projects selected and implemented - Administrative support provided to BCARD Committee	- Six Aqua E-Fund projects selected; - Development of a national aquaculture portal; - Administrative support provided to BCARD Committee	- Four Aqua E-Fund projects selected; - Development of a national aquaculture portal; - Second edition of a national research and development newspaper; - Administrative support provided to BCARD Committee	Projects selected and implemented; administrative support provided to BCARD Committee
		- Four priority areas identified in oceans/ marine sector. - Three proposals prepared with partners. - Two reports on oil and gas development.	- Three projects initiated; - Continued to be the main point of access for oceans sector development in the province	- Three projects initiated; - Continued to be the main point of access for oceans sector development in the province	Ocean and marine sector development pilot projects complete and policy direction developed. Oceans technology cluster development projects initiated.
Research and development / science and technology program delivery contracts directly managed.	Number of contracts entered with external funding for the management of specific research, or science and technology projects.	2 - Aqua E-Fund - IBM Scholarships	3 - Aqua E-Fund - IBM Scholarships - Agri-Food & Bioproducts	3 - Aqua E-Fund - IBM Scholarships - Agri-Food & Bioproducts	3
Research and development / science and technology funding processes participated.	Number of funding programs where Council administers the project selection process using its competence and infrastructure.	4 - HPFF - Bioproducts - TRIUMF Fellowship - Trussell Scholarship	3 - HPFF - TRIUMF Fellowship - Trussell Scholarship	3 - TRIUMF Fellowship - Trussell Scholarship - Health Products and Functional Foods Program	3

Importance of these measures:

- demonstrates the ability of the Council to respond to sectors that require further support in the area of research communications, coordination and collaboration
- demonstrates the responsiveness of Council to avail itself of its program management and sector development expertise to its partners

Goal 1: Improved Science & Technology-based Innovation and Development

University-industry collaboration and knowledge transfer systems are an important component of an innovation-based economy. Recognizing the need to have an open dialogue about such systems in the province, the Council partnered with the Ministry of Advanced Education to commission a study focusing on the strategic review of university-industry collaborations and knowledge transfer systems in British Columbia. The study was conducted by Global CONNECT with research support by Ference Weicker & Company. A series of workshops that brought together various stakeholders in the technology and knowledge transfer community was held and recommendations were brought forward for consideration.

The Council continued its involvement in four sectors; aquaculture, oceans & marine, health products and functional foods, and agri-food and bioproducts.

The Council continued to administer the Aqua E-Fund and funded four aquaculture scientists who each were awarded Aquaculture and Environment (Aqua-E) Innovation Awards valued at $200,000 to leverage with other sources in order to develop and conduct a five-year research program in various aquaculture related research fields. The following scientists were awarded the Aqua-E Innovation Awards.

Aqua-E Innovation Award Recipient	Institution	Study Area
Dr. Abayomi Alabi	Malaspina University-College, Centre for Shellfish Research	Shellfish Health and Husbandry
Dr. Shannon Balfry	UBC, Centre for Aquaculture and the Environment	Fish Health
Dr. Stephen Cross	University of Victoria, Pacific SEA Lab	Multi-trophic Aquaculture
Dr. Valerie Funk	British Columbia Centre for Aquatic Health Sciences	Fish Health

In addition, the Council monitored 14 ongoing aquaculture research projects under the Aqua-E Fund.

The development of a national aquaculture portal was continued with various partners throughout Canada. This online portal, when completed, will serve as the national hub of knowledge transfer that will facilitate communication, collaboration and coordination of activities and information for the sector. In addition, the Council supported the development of the second edition of the Canadian Aquaculture R&D Review which includes 200 summaries of recent research projects on salmon, trout, charr, oysters, mussels, marine species plus special full length features on completed projects across the country.

All of the Council's aquaculture initiatives are developed and managed by the BC Aquaculture Research and Development Committee, a Council committee composed of industry, government and academia representatives that coordinate and encourage independent research in the sector. The Committee meets four times a year and meets an additional four times per year to manage the Aqua E-Fund.

During the fiscal year, the Council initiated three projects in the oceans sector:

1. Developed the Ocean Energy / International Energy Agency Technology Development Workshop in cooperation with Natural Resources Canada, British Columbia Ministry of Energy, Mines, and Petroleum Resources, Power Tec Labs and the Ocean Renewable Group. This workshop was a gathering of the Canadian ocean energy community that enabled a comparative study of Canadian and international research, development and commercialization of ocean energy technologies and created a forum for international cooperation in the development and deployment of resources on an international scale.
2. Developed the Port and Maritime Security Demonstration Project Workshop in cooperation with Western Economic Diversification and British Columbia Ministry of Transportation. This project created the roadmap for development of a demonstration project that will:
   a. solve a security challenge that exists in Canadian ports;
   b. expand the capability of British Columbia technology firms to develop a greater level of capacity in order to provide integrated solutions; and
   c. provide a test bed for emerging technologies and products.
3. Developed Port Security Week in cooperation with Industry Canada and Foreign Affairs and International Trade Canada. This project created a workshop that showcased British Columbia technology providers and their technologies to decision makers in the North American market; sought collaborative relationships with major technology integrators; and provided understanding of challenges faced by their potential customers.

Goal 1: Improved Science & Technology-based Innovation and Development

During the year, the Council continued its administration of the Health Products and Functional Foods program where it continued monitoring five projects including funding one new project at BCIT for the development of an oxygen radical absorbance capacity (ORAC) testing facility at the institution.

Discussions have continued with representatives from the Ministry of Agriculture and Lands as to the development of the $3.5 million Agri-Food and Bioproducts Science and Innovation Fund. An opportunity to leverage the funds with federal government funds has arisen and the development of a program will be based on an overall Ministry of Agriculture and Lands innovation strategy.

All targets carried forward from 2005/06 were either met or exceeded in the fiscal year.

Objective 1.2: To increase access of British Columbia research and technology organizations and companies to new international science and technology opportunities

Performance Measure	Definition	2004/05 Actual	2005/06 Actual	2006/07 Actual	2005/06 Targets Carried Forward to 2006/07
British Columbia companies / organizations involved in international science / technology initiatives.	Number of BC companies that participated in science and technology initiatives such as missions, exchanges, briefings, seminars.	Activities minimized to reflect changed mandate.	Activities minimized to reflect changed mandate.	Activities relaunched with establishment of Office of International Partnerships.	500
Foreign companies / organizations involved in international science / technology initiatives.	Number of foreign companies and organizations that participated in science & technology initiatives such as missions, exchanges, briefings, seminars.	Activities minimized to reflect changed mandate.	Activities minimized to reflect changed mandate.	Activities relaunched with establishment of Office of International Partnerships.	200
Importance of these measures: demonstrates the impact and relevance of the Council's international activities for companies					

As outlined in previous Annual Reports, international activities were minimized during the transition years and therefore the targets did not apply to the fiscal year. However, with the establishment of the Office of International Partnerships, the Council will be relaunching its international initiatives to fill the need in the technology community for a bridge for British Columbia companies into international markets. Led by Ms. Cindy Lum, the office is planning a joint program with the People's Republic of China's Ministry of Science and Technology (MOST) that will bring collaborative research and business opportunities to each party's jurisdiction under a Memorandum of Understanding signed between the Council and MOST in 2005/06.

Goal 1: Improved Science & Technology-based Innovation and Development

Objective 1.3: Increasing understanding of and benchmarking British Columbia performance in technology transfer and innovation

Performance Measure	Definition	2003/04 Actual	2004/05 Actual	2006/07 Actual	2005/06 Targets Carried Forward to 2006/07
Instances of advice / recommendations provided to government (briefing / advisory notes, special reports).	Number of special reports, briefing notes prepared for the Council board, Ministry and others to provide advice on science and technology matters.	5 reports: – 4 reports on general high-tech issues in the province – 1 report on ocean cluster development in BC	5 reports: – 2 on offshore oil and gas development – 3 on bioproducts	11 instances: – 1 on results of BCIC – 1 on aquaculture – 1 on agri-food & bioproducts – 7 on oceans sector development	4
Events initiated to facilitate collaborations among science and technology organizations.	Number of roundtables, workshops and meetings initiated to encourage collaboration among science and technology organizations.	17 meetings: – 12 on oceans technology development – 2 on student careers – life sciences analysis – science in the public – science and technology survey	5 events: – 3 on aquaculture research – 2 on oceans sector development	9 events: – 1 on aquaculture research – 5 on oceans sector development – 3 roundtables on university-industry collaboration and knowledge transfer systems in BC	4
Importance of these measures: – demonstrates the ability of Council to respond to government's request for advice and recommendations on particular issues related to innovation in British Columbia – demonstrates the relevance of Council as an "honest broker" in its role as a facilitator in encouraging collaborations in science and technology					

Eleven reports, briefing notes and presentations were prepared for government. They include:

- Presentation to the Select Standing Committee on Crown Corporations on the mandate, performance and review of the Council;
- Presentation to the Special Committee on Sustainable Aquaculture on the Council's activities in developing aquaculture research capacity in the province;
- Continued advice to the Ministry of Agriculture and Lands on development of an on-line communication, collaboration and coordination of activities and information platform for the agri-food and bioproducts sector;
- Development of a major policy initiative entitled "Labour Market Needs in British Columbia's Oil and Gas Industry" under contract to the Ministry of Energy, Mines and Petroleum Resources and in collaboration with the Canadian Association of Petroleum Producers, Ministry of Economic Development and Petroleum Human Resources of Canada;
- Advice to the Ministry of Environment on the creation and development of a major sector study commissioned by the Canada/British Columbia Oceans Coordinating Committee entitled "Economic Contribution of the Ocean Sector in British Columbia";
- Advice to the Ministry of Energy, Mines and Petroleum Resources pertaining to offshore oil and gas development and alternative ocean energy development;
- Advice to the Ministry of Transportation in areas pertaining to maritime and port security technology;
- Advice to the Ministry of Economic Development in areas pertaining to opportunities for international trade and collaboration within the ocean technology sector;
- Advice to Industry Canada, Western Economic Diversification, National Research Council and Department of Foreign Affairs and International Trade in areas pertaining to science, technology and research in ocean observing systems, ocean energy and maritime security; and
- Advice to Department of National Defence in areas pertaining to partnerships in research and technology development in maritime security.

Eight events were initiated by Council to facilitate collaboration with science and technology organizations. In addition to the Ocean

Goal 1: Improved Science & Technology-based Innovation and Development

Energy / International Energy Agency Technology Development Workshop, Port and Maritime Security Demonstration Project Workshop and Port Security Week described under objective 1.1 the following events were initiated:

- 2007 Infectious haematopoietic necrosis virus (IHNV) research workshop that brought together national experts in the field to review the state of knowledge, identify research priorities and determine collaborative research opportunities in the field;
- Canada's Ocean Technology Sector in Oceans 2006 developed and executed in cooperation with Industry Canada, Foreign Affairs and International Trade Canada, Western Economic Diversification, British Columbia Ministry of Economic Development, Atlantic Canada Opportunities Agency, and Canada Economic Development Quebec;
- Event between Collaborative Oceans Information Network (COIN) and Center for Maritime Systems & Security (CfMSS) to develop strategic relationships; and
- Three roundtable discussions on university-industry collaboration and knowledge transfer systems in British Columbia in partnership with the Ministry of Advanced Education.

All carried forward targets from 2005/06 were exceeded in the fiscal year.

GOAL 2: INCREASED STREAM OF STUDENTS PURSUING POST-SECONDARY EDUCATION IN SCIENCE & TECHNOLOGY

Increasing the stream of students pursuing post-secondary education in science and technology is important as it encourages an active flow of future researchers, technology developers, entrepreneurs and technical managers who are an important component to an innovation-based economy.

Objective 2.1: Supporting scholarships in science and technology

Performance Measure	Definition	2004/05 Actual	2005/06 Actual	2006/07 Actual	2005/06 Targets Carried Forward to 2006/07
Students supported.	Number of students awarded scholarships for post-secondary education to support students pursuing studies in science and technology.	42	21	24	12
British Columbia high schools contacted to participate.	Percent of schools with Grade 12 students that were sent information packages on science careers and support programs.	100%	100%	100%	100%

Importance of these measures:
- demonstrates the Council's commitment to encouraging high-school students interested in science to continue their studies at the post-secondary level
- demonstrates the penetration rate of the Council's promotional information on its available programs into high-schools throughout British Columbia

Twenty-four graduating high school students were supported for their post-secondary education in areas in science and technology. Twenty students were renewed for IBM Scholarships, two students were awarded TRIUMF Fellowships and two students were awarded Trussell Scholarships.

All high schools in the province were contacted to inform Grade 12 students of the TRIUMF Fellowship opportunity and all high-schools in the Kootenay-Boundary region, from which students are eligible for the Trussell Scholarships, were contacted.

All carried forward targets from 2005/06 were met or exceeded in the fiscal year.

Goal 2: Increased Stream of Students Pursuing Post-Secondary Education in Science & Technology

Objective 2.2: Promoting career decisions in research, science and technology

Performance Measure	Definition	2004/05 Actual	2005/06 Actual	2006/07 Actual	2005/06 Targets Carried Forward to 2006/07
Students invited to participate in career development program	Percent of BC students who participated at the Canada-Wide Science Fair and who were invited to participating in the career development program to encourage interest in science careers.	100%	100%	100%	100%
Student value rating of career development program	Percent of students who respond positively that the program was valuable and effective in demonstrating career options in science and technology.	Survey returns did not facilitate a statistically accurate assessment.	98%	97%	80%

Importance of these measures:

- demonstrates the Council's commitment to engaging this captive group of science students to consider careers in the high-technology sector
- demonstrates the effectiveness of the Student Career Development program in exposing students to relevant careers in science which may encourage these students to continue pursuing their education in the field

Each year the Council hosts the British Columbia representatives at the Canada-Wide Science Fair for a two-day career development event (called the Student Career Development Program) where these high-school students tour research facilities in the Lower Mainland, participate in a networking event with leading scientists and attend the Council's annual Awards Dinner where they are able to meet the province's leading innovators, technology entrepreneurs and science communicators.

The student participants are asked to complete a survey and for this reporting period, 97% of them reported a positive rating that the event demonstrated career options in science and technology.

All carried forward targets from 2005/06 were met or exceeded in the fiscal year.

GOAL 3: INCREASED PUBLIC AWARENESS OF SCIENCE & TECHNOLOGY

Increased public awareness of science and technology is important as it develops a greater understanding of the value and impact of science and technology in society. Understanding this value and impact enables a more informed decision-making process in areas such as public support for the sector, policy decisions by government, engagement of partners and a host of other interrelated aspects.

Objective 3.1: Promoting science and innovation provincially

Performance Measure	Definition	2004/05 Actual	2005/06 Actual	2006/07 Actual	2005/06 Targets Carried Forward to 2006/07
Subscriptions to BCIC Newsletter	Number of subscribers to BCIC Newsletter which aims to address the information needs and interests of client groups.	9,800	10,300	2,700	2,500
Council website visitors per month	Average number of visitors per month to the Council's Website, indicating interest and awareness in Council and science and technology programs / activities.	13,000	13,000	13,000	5,000
Instances of supporting activities	Number of organizations sponsored or funded to pursue science and technology activities complementary to Council priorities.	10	19	20	10

Importance of these measures:

- demonstrates the interest of the Council's stakeholders in the organization as well as the research and innovation sector
- demonstrates the level of interest in the Council's activities
- demonstrates the Council's commitment in collaborative partnerships with other organizations that complement its mandate and priorities

The Council's news information and media release subscription base target carried forward from 2005/06 was exceeded by 200 with 2,700 subscribers. The reduction from the previous year's figure is due to a more focussed marketing list that maintains a high number of subscribers who are a captive audience to the activities of the Council as well as the research and innovation community. The Council continues to maintain an average of 13,000 website visitors per month.

The Council supported 20 organizations in 2006/07. Through the S&T Fund, the Council supported the following organizations:

Regional Science & Innovation Councils	Region
Innovation Resource Centre	North – Central Interior
Interior Science & Innovation Council	Central Interior (Thompson – South Cariboo)
Kootenay Association for Science & Technology	West Kootenay & Boundary
Mid-island Science, Technology & Innovation Council	Vancouver Island – Sunshine Coast
Okanagan Science & Technology Centre	Okanagan
Northwest Science & Innovation Council	Northwest BC
Sci-tech North	Peace Liard – Stikine

University - Industry Liaison Offices	Region
Malaspina University-College	Vancouver Island – Sunshine Coast
Simon Fraser University UILO	Lower Mainland
Thompson Rivers University UILO	Central Interior (Thompson – South Cariboo)
University of British Columbia UILO	Lower Mainland & Okanagan
University of Northern British Columbia UILO	North – Central Interior
University of Victoria UILO	Greater Victoria

In addition to the S&T Fund, the Council was able to secure one-time amounts from the Ministry of Advanced Education to increase support to the seven regional science and innovation council as well as support two additional regional councils in 2006/07. The two councils are the Vancouver Island Advanced Technology Centre and the Kootenay-Rockies Innovation Council.

Furthermore, the Council supported, through sponsorships, the following organizations and/or events:

1. BC Science Teacher's Association Science Achievement Awards
2. BC Biotech Awards
3. BCTIA Technology Impact Awards
4. PMC Sierra Science Fair Fun Run
5. Science Fair Foundation

All carried forward targets from 2005/06 were exceeded in the fiscal year.

Goal 3: Increased Public Awareness of Science & Technology

Objective 3.2: Increasing public recognition of science excellence

Performance Measure	Definition	2004/05 Actual	2005/06 Actual	2006/07 Actual	2005/06 Targets Carried Forward to 2006/07
Nominations received for Council Awards	Number of nominations received at deadline, reflecting overall awareness and prestige of the recognition program.	31	52	43	35
Ticket sales for Council Awards Dinner.	Percent of tickets sold for the Awards Dinner, reflecting interest and support of the science and technology community.	100%	100%	100%	100%
Council Awards Dinner final cost after ticket sales.	Total cost of holding the Awards Dinner less ticket sales and cash contributions from sponsors.	$0	$0	$0	$0
Students given special recognition for science achievement.	Number of students who received from Council special awards to promote science awareness among students.	325	325	325	325

Importance of these measures:

- demonstrates the overall awareness and prestige of the recognition program
- demonstrates the level of interest in the recognition event
- demonstrates the efficiency of the Council's recognition program
- demonstrates the Council's commitment to recognizing not only world-class leaders in the research and high technology sector, but within the high school students population as well

An important component of science, technology and innovation awareness is the recognition of British Columbia's leading researchers, scientists, science communicators and technology entrepreneurs at the province's premier awards event, which attracts 750 guests annually. Widely considered to be British Columbia's highest form of recognition for science, technology and innovation, the annual Awards Dinner raises the profile of the province's world-class innovation economy.

In 2006/07, the Council received a total of 43 nominations: eight more than the carried forward target from 2005/06. The Council also received increased media attention for its Awards program over the previous fiscal by securing 66 pieces of coverage, four more than the previous fiscal. They include three television stories, two radio campaigns from CKNW Radio, 16 print/announcements, and 45 online articles/announcements.

The winners of the 2006 Awards are:

Award Winner	Category
Dr. Bruce McManus, Professor, Department of Pathology and Laboratory Medicine, UBC, and Director, the James Hogg iCapture Centre and Scientific Director, the Heart Centre, St. Paul's Hospital – Providence Health Care	Lieutenant Governor's Technology Innovation Award
Dr. Martha C. Piper, Past President and Vice-Chancellor, UBC	BC Science and Technology Champion of the Year Award
Dr. Michael Hayden, Director and Senior Scientist, Centre For Molecular Medicine and Therapeutics, UBC	Chairman's Award for Career Achievement
Ms. Shar Levine, Freelance Writer, Designer and Marketing Consultant -and- Ms. Leslie Johnstone, Freelance Writer, Designer and Science Department Head, Point Grey Secondary School	Eve Savory Award for Science Communication
Dr. Luciana Duranti, Professor, School of Library, Archival and Information Studies, UBC	Frontiers in Research Award
Dr. Mu Chiao, Assistant Professor, Department of Mechanical Engineering, UBC	Young Innovator Award

Through the BC Science Teacher's Association Science Achievement Awards, the Student Career Development Program and the Science Fair Foundation, the Council continued to provide special recognition to 325 high school students throughout British Columbia for their achievements in science.

All carried forward targets from 2005/06 were met or exceeded in the fiscal year.

PERFORMANCE MANAGEMENT SYSTEMS

The Council's performance management and reporting systems include two components: financial and operational.

With regard to financial systems, the Council employs a financial software package that enables appropriate records to be maintained. Additional software is utilized to ensure specific operational data related to the financial information is maintained with high integrity. Management is confident of its financial systems and is verified by its annual audit performed by KPMG LLP.

Management is also confident of the operational data utilized in reporting the results of its activities. The Council's sources of data include in-house records maintained through electronic databases. These records are based on internal reports, external surveys, and in cases where the Council supports initiatives implemented by other partner organizations, the Council requests appropriate records be maintained and reported back as a condition of support. Data is collected throughout the year depending on the activity and verified according to established reporting guidelines to ensure consistency from past years and across similar activities.

Due to the nature of the data, accuracy is limited by human error. The level of confidence for internal data is at a higher level than those submitted externally. However, the Council strives to verify questionable data as part of the monitoring process for reports submitted externally.

As the Council delivers programs and initiatives unique to its organization, benchmarks are not available to comparatively measure the performance of Council to other organizations.

ALIGNMENT WITH GOVERNMENT'S STRATEGIC PLAN

The Province of British Columbia has established its five great goals for a golden decade. The Council fulfills these goals in the following ways.

Government's Goals within Strategic Plan	BC Innovation Council's Activities
To make B.C. the best educated, most literate jurisdiction on the continent.	The Council develops science and technology expertise in British Columbia by supporting, encouraging and communicating with high school, post secondary, and graduate students pursuing science, research or technology entrepreneurship.
To lead the way in North America in healthy living and physical fitness.	Science and research play a major role in healthy living. The Council recognizes and celebrates leaders of research and innovation in these fields who contribute toward breakthroughs in health research and life sciences and who support of the development of health related technologies.
To build the best system of support in Canada for persons with disabilities, special needs, children at risk and seniors.	The Council's awareness and recognition initiatives have highlighted the leaders in research and innovation who play a major role in addressing social needs in society.
To lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.	The Council recognizes the need for further research to bring credible scientific information to deal with environmental management issues. Its activities in the aquaculture, bioproducts and oceans/marine sectors are a beginning and the Council intends to support and encourage further initiatives toward this goal.
To create more jobs per capita than anywhere else in Canada.	Jobs in the research and innovation sector bring value to the province's economy and way of life. Development of the sector creates more demand for higher paying, more technically oriented jobs for British Columbians. By developing the sector further, the Council will ensure that more jobs are available for British Columbians.

The Shareholder's Letter of Expectation between the Council and the Province of British Columbia is anticipated to be signed during fiscal year 2007/08 after the Council's strategic plan is completed. The Council's planned activities are based on the Government's overall goals as well as discussions with the Ministry of Advanced Education. The Council is committed to basing its future activities on specific policies and guidelines introduced, reinforced and/or published by Government related to innovation in British Columbia.

FINANCIAL REPORT

Management Discussion and Analysis

This Management Discussion & Analysis (MD&A) of the BC Innovation Council should be read in conjunction with the financial statements and accompanying notes. The MD&A contains forward-looking statements, including statements regarding business and anticipated financial performance of the Council. Forward-looking statements are subject to a number of risks and uncertainties that may cause actual results to differ materially from those contemplated in the MD&A.

The following charts summarize the Council's revenues and expenses by core business area. Provincial revenues not specific to programs have been allocated to core business areas in proportion to expenses.

Revenues ($thousands)	
Sector Development Revenue	$1,334
Program Management Revenue	6,255
Communication	607
Total	$8,196

Expenses ($thousands)	
Sector Development	$987
Program Management	4,630
Communication	449
Total	$6,066

The Council's provincial base funding has been stable for the previous three years. The past two years include revenue provided under the Science and Technology program. The following charts provide a summary comparison of actual and budgeted revenues and expenditures. The Council's core operations are outlined in Table 1, followed by a summary of the Natural Resources and Applied Sciences Endowment Fund operating segment in Table 2.

Financial Report

Table 1: Core Operations Summary

($000)	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Actual (note 1)	2006/07 (note 1)		
					Actual	Budget	Variance
Revenues							
Province of BC							
Base Budget	$1,300	$1,300	$3,268	$3,268	$3,287	$3,268	$19
Science & Technology Fund				1,964	2,784	2,784	
Investment earnings	90	34	20	1,372	626	305	321
Other program funding	1,050	3,241	2,036	2,844	1,499	1,750	(251)
Total Revenues	$ 2,440	$ 4,575	$ 5,324	$ 9,448	$ 8,196	$ 8,107	$ 89
Expenditures							
Program Management							
Science & Technology Fund				$1,964	$2,785	$2,784	$1
Scholarships & Fellowships	1,076	120	102	780	195	195	
Research Funds	757	1,461	946	657	357	1,000	(643)
New Programs						3,518	(3,518)
Sector Development	333	861	1,613	817	694	694	
Communications & Awareness	219	260	228	236	234	234	
Salaries & Benefits	1,312	997	970	1,025	1,119	1,130	(11)
Rent	272	206	220	161	160	152	8
Other Operating	290	398	562	550	522	400	122
Interest	1	4					
Total Expenditures	$4,260	$4,307	$4,641	$6,190	$6,066	$10,107	$(4,041)
Excess (Deficiences)	$(1,820)	$268	$683	$3,258	$2,130	$(2,000)	$4,130
FTE/Other							
Total FTE			13	13	13	15	2
Funds Committed to New Programs	$1,854	$2,122	$ 2,805	$6,944	$9,080	$2,698	$6,382

Note 1: The 05/06 and 06/07 columns detail the combined operations of the Council and the BC Advanced Systems Foundation (BCASF) to provide consistency with the Council's 2006/2007 audited financial statements. Also, Provincial Base Revenue is shown on a gross basis in this chart, whereas it is shown on a net basis in the Council's financial statements (refer note 8).

Results of Operations

In 2004, the Province of British Columbia announced a merger between the Innovation and Science Council of BC and the BC Advanced Systems Foundation (BCASF). At that time, the Council became known as the BC Innovation Council and its management team operated the affairs of BCASF on its behalf. As directed by the Minister of Advanced Education, the Council entered into an assignment and assumption agreement on March 30th, 2007, whereby the assets and liabilities of BCASF were formally transferred to the Council to effect the original intention of the merger. Revenue contributed by, and award expenditures made by BCASF reflect a continuation of previously committed fellowships and the University College Broadband Network (UCNET) program. The 2006/07 and 2005/06 figures in Table 1 represent the combined operations of the two entities, as required by GAAP, and presented in the Council's 2007 audited financial statements.

Generally, increases in revenue result in increases in related program expenses. Other program funding includes revenues earned for fellowship/research programs, sector development and recoveries. This figure was higher in 2005/2006 due to higher activity in programs and sector development. Investment earnings reflect the Council's strong cash position. In 2005/2006 there was a one time increase in the former BCASF investment returns.

Excess of revenue over expenditures result from unspent base funds and investment earnings and accrue in the figure "Funds Committed to New Programs." These funds are not considered surplus because they are part of a planned program development strategy to ensure adequate funds are available for new programs once the Council's strategic plan is complete and new programs are rolled out.

Staffing positions remained stable at 13 FTEs as at year-end.

Comparison with Service Plan

Each year, the Council's Service Plan is prepared for presentation to the British Columbia Legislature under the Budget Transparency and Accountability Act. The plan outlines the Council's goals, objectives, and key strategies, along with the results it expects to achieve for the following three-year period. The Council's 2006/07 financial results are reported with reference to the 2007/08 to 2009/10 Service Plan that outlined a forecast budget for fiscal year 2006/07. As the Council does not operate analogous to a corporation with earned revenues from the sale of goods and services, it carries no retained earnings but commits its surplus to future programs, as detailed on the line "Funds Committed to New Programs".

The budgeted item of $3.5 million for new programs is being carried over to the next fiscal year due to the timing of the launch of new programs.

The Council's base budget remained unchanged for fiscal year 2006/07. An additional $819,000 had been added to the S&T Fund.

Research fund expenses were lower than budgeted due to the later timing when award monies are disbursed.

Overall, the Council's performance has been in line with budgeted amounts.

Risks and Capacity

The primary risk associated with the financial performance of the Council is based upon the level of contributions it receives from principal funders. With growing fiscal restraint on the Council's funding sources, annual funding levels have a significant impact on the Council's operations. Strategies to mitigate this risk include ongoing communications with the Council's existing and potential funding sources, in order to build awareness of the level of support required. In addition, the Council explores the development and implementation of programs and initiatives that are either self-supporting or leveraged with other revenue generating sources.

With the establishment of the Natural Resources and Applied Sciences Endowment Fund, interest rate risks become more significant since the policy for the Fund is to guarantee preservation of the principal. To maximize the return while meeting the requirement of no risk to capital, the Council has adopted an investment policy with fixed rate investments with laddered maturity dates.

Natural Resources and Applied Sciences (NRAS) Research Endowment Fund

In the previous fiscal year (2005/06) the Council was charged with stewarding $50 million from the Province of British Columbia for the Natural Resources and Applied Sciences (NRAS) Research Endowment Fund. As an endowment, it is expected that the capital will be preserved. As presented in the Council's 2006/2007 Service Plan, this endowment fund is considered to be a separate operating segment and it is presented as a separate financial chart below. 2006/2007 interest earnings on the fund were as forecast.

Table 2: Natural Resources and Applied Sciences Endowment Fund

($000)	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07		
					Actual	Budget	Variance
Revenues							
Province of BC				$50,000			
Interest					$2,059	$2,000	$59
Other							
Total Revenues				$50,000	$2,059	$2,000	$59
Expenditures							
Award Expenditures							$0
Total Expenditures							$0
Excess (Deficiencies)				$50,000	$2,059	$2,000	$59

Future Outlook

The Council's financial position continues to be strong as indicated by the current ratio of 5.31. It is anticipated that the Council's operations will expand significantly over the next several years to properly fulfill the broad mandate it has been given by the Province.

As the Council implements its strategic and operational plan, there will be changes to the organizational structure as well as an increase in expenses due to new programs and initiatives. Operating costs will therefore increase to accommodate the increase in business activity and complexity of operations. If the Council is unable to successfully secure adequate funding to support its planned growth and development, activity levels will be adjusted accordingly in order to prevent the Council from carrying debt.

Statement of Management's Responsibility

The financial statements of the BC Innovation Council are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available up to May 11, 2006. The financial statements have been reviewed by the Council's Audit Committee and approved by the Board of Directors.

Management maintains and relies on a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and that reliable and relevant financial information is available on a timely basis.

The financial statements have been examined by independent external auditors. The external auditors' responsibility is to express their opinion on whether the financial statements, in all material respects, fairly present the Council's financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles. The Auditors' Report, which follows, outlines the scope of their examination and their opinion.

The Board of Directors, through the Audit Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit Committee, comprised of directors who are not employees, meets regularly with the external auditors and management to satisfy itself that each group has properly discharged its responsibility to review the financial statements before recommending approval by the Board of Directors and appointment of external auditors. The external auditors have full and open access to the Audit Committee, with and without the presence of management.

Supplementary Documents and Statements

The signed Auditor's Report, Audited Financial Statements and accompanying notes to the financial statements are included in Appendix B.

CORPORATE GOVERNANCE

The Lieutenant Governor in Council through Order-in-Council appoints the members of the Council board and designates the chair from among the board members. An additional seven individuals received Order-in-Council on March 30th, 2006, bringing the total board membership to nine. During the year, one member's term expired and another member resigned due to new employment that necessitated his relocation. A process whereby the board is selecting recommended replacements is currently underway. New appointments are for three year terms.

Board of Directors

The board serves in the following capacities:

- Setting the strategic direction and approving appropriate plans from management;
- Recruiting, empowering and monitoring the executive management;
- Shepherding / safeguarding the Council's resources including approving major financial decisions, ensuring internal controls are in-place and address areas of risk; and
- Measuring corporate performance and accounting regularly to the stakeholder including complying with applicable laws and maintaining ethical standards.

Board Committees

The **Audit and Finance Committee** assists the board in fulfilling its obligations and oversight responsibilities relating to the audit process, financial reporting, the system of corporate controls, and risk management, and when required, makes recommendations to the full board for approval.

The **Governance and Board Nomination Committee** reviews the policies and practices of the board, ensures the board's continuing ability to fulfill its legislated mandate, and implements effective due diligence over the governance of the Council.

The **Human Resources and Compensation Committee** assists the board in fulfilling its oversight responsibilities with respect to the human resources policies and practices of the Council.

In addition to the three formal committees, a **Programs Working Group** was formed to work with the executive management team to recommend overall program concepts that the Council could undertake.

The board consist of the following members:

Board Members	Board Committee
Hector MacKay Dunn, QC (Chair)	Governance & Board Nomination Committee
Greg Aasen	Programs Working Group
Jock Finlayson	Audit & Finance Committee
Richard Glickman	Governance & Board Nomination Committee Human Resources & Compensation Committee
Dr. Ken Higginbotham	Audit & Finance Committee
Greg Kerfoot	Governance & Board Nomination Committee Programs Working Group
Dr. Alan Winter	Human Resources & Compensation Committee Programs Working Group

Corporate Governance

The Council's senior management consists of:

Name	Management Position
Matthew G. Watson	Chief Executive Officer
Cindy Lum	Chief Operating Officer
Sam Nakai	Director of Programs
Philip Reeves	Director of Finance & Administration
Vacant	Director of Business Development

Governance Principles

The Council's board has adopted the guiding principles outlined in the Province of British Columbia's Governance Framework for Crown Corporations in establishing a framework from which to operate. These principles include:

- Stewardship, leadership and effective functioning of the board;
- Clarity of roles and responsibilities;
- Openness, trust and transparency;
- Service and corporate citizenship;
- Accountability and performance; and
- Value, innovation and continuous improvement.

Governance Disclosure

The Council's governance best practices disclosure documents are available on its website at the following link:

http://www.bcinnovationcouncil.com/database/img_4581e49c3c819.pdf

Key Reporting Relationships

The Chair is the head of the Board, and through the Minister of Advanced Education and his capacity as Minister Responsible for Research and Technology, reports to the British Columbia Legislative Assembly. The executive management team consists of the Chief Executive Officer and the Chief Operating Officer, who jointly share the role encompassing both personnel and operational issues.

Performance Monitoring

As the majority of the board members were appointed in March, 2006, the board determined that it was necessary to meet more regularly in order to familiarize itself with the operations of the Council. During board meetings, management outlines and updates the board on the Council's activities. The Programs Working Group is also made aware of the program activities and performance. As well, the Audit and Finance Committee meets quarterly to approve the quarterly financial reports and to ensure that the financial well being of the Council is well stewarded. The strategic plan when finalized will also outline new mechanisms that will be required in order for the board to appropriately monitor performance of the Council's new activities.

APPENDIX A – SUMMARY OF 2007/08 SERVICE PLAN GOALS, OBJECTIVES, MEASURES AND TARGETS

Goal 1: Increase the Development and Commercialization of British Columbia based Technologies

Objective 1: Support development of highly qualified personnel and business expertise
Objective 2: Enhance technology transfer from research institutions
Objective 3: Assist early stage companies to attract funding

Measure	Definition	2007/08	2008/09	2009/10
Number of technical and management personnel completing Council programs.	Internal count of the number of awardees of Council's technical and management fellowship/scholarship training programs whose final reports are approved.	Establish new baseline at the end of 2007/08 and determine target increase for subsequent years.	Target increase to be determined for 2008/09 in 2007/08.	Target increase to be determined for 2009/10 in 2007/08.

Strategies

Developing highly qualified personnel and business expertise by:

- Distributing scholarships, fellowships and other awards that leverage external sources of funds, industry and other resources to develop and retain research and business expertise in the province's innovation sector;
- Introducing a leveraged fellowship program that links researchers and companies and is geared to groundbreaking technologies with a high potential for commercialization;
- Reviewing technology companies' areas of critical need in terms of HQP and business expertise, and facilitating access to such individuals, through development and facilitation of recruitment initiatives that leverage external support from federal and industry sources;
- Introducing programs that will develop management skills required to improve the efficiency of bringing innovative technology products and processes to market and help attract more private investment;
- Developing initiatives that provide for educational opportunities for personnel to gain international business expertise in key geographic regions;
- Developing and supporting workshops, publications and other communication methods that educate researchers on the current research needs in various sectors of importance to British Columbia.

Enhancing technology transfer by:

- Continuing and increasing funding to UILOs and regional science councils through the S&T Fund;
- Partnering with UILOs and research institutions to facilitate cross-institutional development of technology solutions to identified industry needs;
- Supporting development of technologies to a more mature stage (adding value to processes and products) at the research institution before they are transferred to industry;
- Exploring innovative partnerships with industry, government and international communities to assist in technology transfer;
- Developing research databases in various sectors to inform and facilitate collaborations between industry, government and academia.

Assisting early stage technology companies to attract capital by:

- Investigating options and developing initiatives that improve management skills and increase investor confidence to address the early stage investment gap;
- Creating and leveraging opportunities for management to obtain assistance in preparing for funding, through such programs as formal educational opportunities, expert advice and mentorship support;
- Facilitating opportunities for companies to connect with and attract technical expertise and skilled management inter-provincially, nationally and internationally;
- Creating opportunities that connect companies with investors, partners, sales channels, other technology developers etc. across the province, Canada and internationally;
- Facilitating investments from private capital, through such potential initiatives as providing technical due diligence to private investors and hosting trade missions;
- Establishing key relationships with senior government officials to assist companies in developing business in international markets through the Office of International Partnerships.

Appendix A – Summary of 2007/08 Service Plan Goals, Objectives, Measures and Targets

Goal 2: Enhance Competitiveness of British Columbia's Business Sectors and Research Capabilities

Objective 1: Facilitate BC industry sectors to access, develop and adopt innovative technologies that will enhance competitiveness
Objective 2: Identify and support research and innovation opportunities in British Columbia

Measure	Definition	2007/08	2008/09	2009/10
Number of research and technology development/ adaptation projects or initiatives identified and pursued.	Internal count of sectoral based research and Technology development/ adaptation projects or initiatives that are committed for Council support through funding or in-kind participation.	Establish new baseline at the end of 2007/08 and determine target increase for subsequent years.	Target increase to be determined for 2008/09 in 2007/08.	Target increase to be determined for 2009/10 in 2007/08.

Strategies

Facilitating BC industry sectors to access innovative technologies by:

- Identifying the major technology or research needs of the different business sectors;
- When appropriate, facilitating cross industry collaboration to address technology or research needs;
- Facilitate development of the research initiatives through various support mechanisms that may include leveraged funding.

Supporting research and innovation opportunities in British Columbia by:

- Developing a mechanism or framework to identify opportunities to apply the province's research and innovation expertise;
- Developing actionable plans, leveraging on existing capacity and funding from different sources to address the research and innovation opportunities;
- Planning and implementing follow on strategies for capturing value for British Columbia and/or British Columbia companies.

Goal 3: Increase Awareness of British Columbia's Research and Innovation Opportunities and Achievements

Objective 1: Communicate British Columbia's opportunities and achievements in research and innovation
Objective 2: Increase exposure of elementary and secondary school students to science and technology

Measure	Definition	2007/08	2008/09	2009/10
Number of media reports mentioning Council initiatives, events and recipients of support programs.	Internal Communications Department count of each instance of mention in the media (formal news channels, articles and webpages) of Council initiatives, events and recipients of support programs.	Establish new baseline at the end of 2007/08 and determine target increase for subsequent years.	Target increase to be determined for 2008/09 in 2007/08.	Target increase to be determined for 2009/10 in 2007/08.

Strategies

Communicating British Columbia's opportunities and achievements in research and innovation by:

- Developing a provincial communications plan for research and innovation in conjunction with the Province and other organizations;
- Providing recommendations and information to the Province of BC, the Government of Canada and other governments;
- Partnering with other organizations to create opportunities to communicate through various media;
- Expanding Council's communications efforts (newsletter, media relations program, supporting events that increase awareness, monitoring and leveraging continued achievements of previous award winners) to ensure the leadership of the Council and the Province are an ongoing part of public reporting and recognition;
- Hosting international delegations interested in understanding the research and innovation sector in the province;
- Expanding the annual Council awards program as appropriate;
- Monitoring and leveraging the continued achievements of previous award winners to bring greater recognition to the province.

Increasing exposure of elementary and secondary school students to science and technology by:

- Continuing to support science fair foundations and recognition of the province's science fair winners;
- Partnering with other organizations to create educational opportunities for students to interact with researchers and technology entrepreneurs;
- Continuing to award the top graduating science student at each British Columbia secondary school with a science prize.

Combined Financial Statements of

British Columbia Innovation Council

Year ended March 31, 2007

KPMG LLP
Chartered Accountants
Metrotower II
Suite 2400 - 4720 Kingsway
Burnaby BC V5H 4N2

Telephone 604 527 3600
Fax 604 527 3636
Internet www.kpmg.ca

AUDITORS' REPORT TO THE DIRECTORS

We have audited the combined balance sheet of BC Innovation Council (the "Council") as at March 31, 2007 and the combined statements of operations, changes in net assets and cash flows for the year then ended. These combined financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2007 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Burnaby, Canada

May 4, 2007

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative.

BC INNOVATION COUNCIL

Combined Statement of Financial Position

March 31, 2007

	2007	2006 (restated - note 3)
Assets		
Current assets:		
Cash and cash equivalents	$ 66,158,067	$ 11,263,003
Short-term investments (note 4)	512,625	-
Accounts receivable	736,451	149,676
Awards and contributions receivable	27,747	50,185,232
Prepaid expenses	18,790	17,199
	67,453,680	61,615,110
Long-term investments (note 4)	2,968,444	3,251,498
Other assets (note 5)	29	28
Capital assets (note 6)	80,002	86,600
	$ 70,502,155	$ 64,953,236
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 894,310	$ 761,647
Deferred program revenues (note 7)	8,389,487	7,161,276
Funds committed to future programs (note 8) -	3,417,575	1,791,903
	12,701,372	9,714,826
NRAS endowment liability (note 9)	52,058,626	50,000,000
Net assets:		
Invested in capital assets (note 6)	80,002	86,600
Unrestricted	5,662,155	5,151,810
	5,742,157	5,238,410
	$ 70,502,155	$ 64,953,236

Commitments and contingencies (note 10)
Employee future benefits (note 11)

See accompanying notes to combined financial statements.

Approved on behalf of the Board:

Director

Director

BC INNOVATION COUNCIL

Combined Statement of Operations

Year ended March 31, 2007

	2007	2006 (restated - note 3)
Revenue:		
Province of British Columbia base funding (note 8)	$ 1,661,328	$ 1,860,253
Program revenue:		
Science and technology	2,784,316	1,964,871
Aquaculture	448,305	585,851
Fellowships	191,983	776,391
UC Net	321,000	312,200
BC BioProducts	-	237,965
Health Product and Functional Food	7,716	104,758
International	-	470,162
Leading Edge Endowment Fund	196,573	201,581
Premier's Technology Council	101,000	-
Ocean/Marine and Energy	51,304	5,000
Science Fair Recognition	5,100	5,000
Triumf Scholarships	2,000	2,000
Interest	612,541	297,135
Other income	171,823	142,432
Gain on sale of other assets (note 5)	14,921	1,074,525
	6,569,910	8,040,124
Expenses:		
Program expenses:		
Science and technology	2,785,307	1,964,991
Aquaculture	355,863	564,910
Fellowships	191,983	776,298
UC Net	321,000	312,200
BC BioProducts	-	237,965
Health product and functional food	1,400	92,306
Communications and recognition	189,095	204,072
International	14,080	44,106
Leading Edge Endowment Fund	181,584	180,728
Premier's Technology Council	95,608	-
Ocean/Marine and Energy	80,505	41,772
Science Fair recognition	44,530	31,734
Triumf Scholarships	3,411	3,005
IBM	115	286
Amortization and write-down	29,323	48,623
Operations	1,772,359	1,685,751
Other	-	1,357
	6,066,163	6,190,104
Excess of revenue over expenses	$ 503,747	$ 1,850,020

See accompanying notes to combined financial statements.

BC INNOVATION COUNCIL

Combined Statement of Changes in Net Assets

Year ended March 31, 2007

	Invested in capital assets (note 6)	Unrestricted	Externally restricted base fund (note 3(a))	2007 Total	2006 Total
Balance, beginning of year					
As previously reported	$ 86,600	$ 5,340,665	$ 1,798,580	$ 7,225,845	$ 4,160,457
Adjustment for change in accounting policies (note 3(a))	-	(188,855)	(1,798,580)	(1,987,435)	(772,067)
As restated	86,600	5,151,810	-	5,238,410	3,388,390
Excess (deficiency) of revenue over expenses	(29,323)	533,070	-	503,747	1,850,020
Investment in capital assets	22,725	(22,725)	-	-	-
Balance, end of year	$ 80,002	$ 5,662,155	$ -	$ 5,742,157	$ 5,238,410

See accompanying notes to combined financial statements.

BC INNOVATION COUNCIL

Combined Statement of Cash Flows

Year ended March 31, 2007

	2007	2006 (restated - note 3)
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	$ 503,747	$ 1,850,020
Amortization of capital assets, an item not involving cash	29,323	48,623
Changes in non-cash operating working capital:		
Accounts receivable and awards and contributions receivable	49,570,710	396,061
Prepaid expenses	(1,591)	(948)
Accounts payable and accrued liabilities	132,664	(753,597)
Deferred program revenues	1,228,211	2,340,736
Funds committed to future programs	1,625,672	1,407,747
	53,088,736	5,288,642
Investments:		
Short-term investments	(512,625)	-
Long-term investments	283,054	(972,537)
Purchase of capital assets	(22,725)	(25,570)
Decrease (increase) in other assets	(1)	4
Increase in Endowment Fund	2,058,625	-
	1,806,328	(998,103)
Increase in cash and cash equivalents	54,895,064	4,290,539
Cash and cash equivalents, beginning of year	11,263,003	6,972,464
Cash and cash equivalents, end of year	$ 66,158,067	$ 11,263,003

See accompanying notes to combined financial statements.

1. Authority and purpose:

BC Innovation Council (the "Council"), was established in 2006 by an amendment of the Innovation and Science Council Act to the British Columbia Innovation Council Act (the "Act").

The Council is governed by a Board of Directors, who is appointed by the provincial government of British Columbia (the "Province"). The Council is exempt from the payment of income taxes under section 149 of the Income Tax Act.

In 2004, the Province of British Columbia announced a merger between the Innovation and Science Council of BC and the BC Advanced Systems Foundation ("BCASF"). At that time, the Council became known as the BC Innovation Council and its management team operated the affairs of BCASF on its behalf. As directed by the Minister of Advanced Education, Council entered into an assignment and assumption agreement on March 30, 2007 whereby the assets and liabilities of BCASF were formally transferred to the Council to effect the original intention of the merger. As both the Council and BSASF are within the provincial reporting entity, this transaction was accounted for using the continuity of interests method whereby the assets, liabilities and operating results have been consolidated for the current and prior years. The combined entity continues to operate under the name of the Council.

Under Section 13 of the Act, directors, officers, and employees of the Council have certain immunities in the exercise of their duties carried out in their connection with the Council.

The Council's mandate is to support applied research and commercialization of science and technology to foster province-wide economic development.

2. Significant accounting policies:

(a) Basis of accounting and presentation:

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

(b) Cash and cash equivalents:

Cash and cash equivalents are defined to include highly liquid securities with original terms to maturity of three months or less when purchased.

(c) Short-term investments:

Short-term investments, which are recorded at the lower of cost and market value, are defined to include investments with original terms to maturity of greater than three months and less than one year when purchased.

(d) Long-term investments:

Long-term investments are defined to include investments with original terms to maturity of greater than one year when purchased. These investments are carried at cost and are written down to their estimated realizable value when this amount is less than cost, and the Council believes the impairment in value is other than temporary. The loss is recognized as an expense.

2. Significant accounting policies (continued):

(e) Capital assets:

Capital assets purchased by the Council with a value greater than $1,000 are capitalized and recorded at historical cost. Capital assets are amortized over their estimated useful lives as shown in the schedule below.

Asset	Amortization
Furniture, fixtures and equipment	20% declining balance
Computer hardware and software	33-1/3% declining balance
Leasehold improvements	Lesser of the term of the lease and the useful life of the asset

(f) Revenue recognition:

The Council follows the deferral method of accounting for contributions. Unrestricted contributions are recorded as revenue when received if the amounts can be estimated and collection is reasonably assured. Government grants not restricted as to their use are recognized as revenue when receivable. Other unrestricted revenue, including sales of services and products, are reported as revenue at the time the services are provided or the products are delivered.

Investment income on net asset balances is recognized as revenue when it is earned.

Externally restricted, non-capital contributions for specific purposes are recorded as deferred revenue and recognized as revenue in the year in which the related expense is incurred.

Investment income on deferred revenue balances is deferred and recognized as revenue in the year in which the related expense is incurred.

(g) Employee future benefits:

The Council accrues employee future vacation entitlements. The Council is a member of the Public Service multi-employer pension plan.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The significant area requiring the use of management estimates is to the determination of useful lives of capital assets for amortization. Actual results may differ from these estimates.

3. Change in accounting policy:

During 2007, the Council changed its presentation and method of accounting for restricted contributions and investment income (note 2(d)) from the restricted fund method to the deferral method. As a result in this change in presentation in revenue recognition the prior year's opening net assets balance has decreased by $1,987,435 from the amount previously reported. The $50 million Natural Resources and Applied Science Research Endowment ("NRAS") 2006 endowment contribution, previously reported as revenue in 2006, is now reclassified as a liability on the statement of financial position.

4. Short-term and long-term investments:

The market value of the Council's short-term and long-term investments is $3,526,006 (2006 - $3,292,599). For fiscal 2007, the decline in market value is considered to be temporary in nature and as a result, no write-down has been reflected in these financial statements. Short-term and long-term investments are comprised of provincial and federal bonds and federal treasury bills with varying coupon rates ranging from 3.15% to 4.45% with maturity dates ranging from June 2, 2007 to December 1, 2011.

5. Other assets:

Other assets are share investments of previous BCASF program participant corporations received in exchange for all or a portion of loan or royalty interests. Shares are recorded at a nominal value of $1 each for each company shareholding. The market value of shares of privately held corporations is not readily determinable because no active market exists for the shares. As at March 31, 2007 the market value of publicly traded shares held was $36,010 (2006 - $41,412).

6. Capital assets:

			2007	2006
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and equipment	$ 59,370	$ 45,238	$ 14,132	$ 14,545
Computer hardware and software	149,088	97,947	51,141	51,772
Leasehold improvements	27,770	13,041	14,729	20,283
	$ 236,228	$ 156,226	$ 80,002	$ 86,600

7. Deferred program revenues:

	2007	2006
Balance, beginning of year	$ 7,161,276	$ 4,815,540
Provincial contributions	1,000,000	3,500,000
Other contributions	1,028,953	706,337
Investment income	168,013	123,173
Less: amounts amortized to program revenues	(968,755)	(1,983,774)
Balance, end of year	$ 8,389,487	$ 7,161,276

8. Funds committed to future programs:

	2007	2006
Beginning	$ 1,791,903	$ 384,156
Base funding	3,287,000	3,268,000
Less funding recorded as revenue	(1,661,328)	(1,860,253)
Ending	$ 3,417,575	$ 1,791,903

The Ministry of Advanced Education (the "Ministry") provides base funding for the Council's general and administrative activities. Any portion of the contribution received as base funding from the Ministry, and interest earned thereon that has not been expended or committed in writing to be expended by the Council in or towards the reimbursement or the satisfaction of costs, prior to the end of each fiscal year, will at the sole discretion of the Province, either:

- become immediately due and repayable by the Council to the Province; or
- be applied and committed in a manner approved by the Province against additional activities in fulfillment of the Council's goals and objectives.

9. Natural Resources and Applied Science Research Endowment liability ("NRAS"):

In fiscal year 2005/2006 the Council was charged with stewarding $50 million from the Ministry of Economic Development for the support of training, research and development in natural and applied sciences. As an endowment liability, it is expected that the capital and all interest earned will be preserved. Management of the endowment liability is being overseen by an independent steering committee appointed by the Province and it is anticipated that the resulting program will be managed by an independent organization external to the Council.

Investment earnings of the endowment liability are credited directly to the endowment liability on the statement of financial position.

10. Commitments and contingencies:

(a) The Council's offices are occupied under a long-term lease with varying terms to November 29, 2009. Minimum annual payments include the Council's estimated share of utilities and other costs of occupancy.

(b) The Council is committed to lease a photocopier until November, 2011 at a quarterly rental of $2,307.

Total lease commitments for the next four years are as follows:

2008	$ 170,255
2009	174,149
2010	118,815
2011	5,432

11. Employee future benefits:

The Council and its employees contribute to the Public Service Pension Plan in accordance with the *Public Sector Pension Plans Act*. The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the act applies. The Public Service Pension Plan is a multi-employer, defined benefit plan. Under joint trusteeship, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in their future contributions. The most recent actuarial valuation (March 31, 2005) has determined the Plan has an unfunded liability. As a result, the actuary determined that an increase in contribution rates, effective April 1, 2006, of 1.88% each, for plan members and employers was necessary in order for the plan to maintain its long-term financial soundness and thus its ability to meet the pension promise made to plan members.

Contributions to the plan by the Council for fiscal 2007 were $71,492 (2006 - $65,495).

12. Financial instruments:

The Council's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to their immediate or short term to maturity. The fair market value of short-term and long-term investments and share investments are disclosed in note 4 and 5 respectively.

13. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

APPENDIX C – GLOSSARY

Innovation - refers both to the outcome and the creative process of applying knowledge to the development of new products and services or to new ways of designing, producing or marketing an existing product or service for public and private markets. As an outcome, there is the characteristic of newness in innovations; a world's first, new to Canada or simply new to the organization that applies them. As a process, there is the existence of many and important links which connect the prototype of a product or service and the commercial use in the marketplace.

Science and Technology - systematic activities which are closely concerned with the generation, advancement, dissemination and application of scientific and technical knowledge in all fields of science and technology. These include such activities as research and development (R&D), scientific and technical education and training, and scientific and technical services.

Research and Development - creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of people, culture and society, and the use of this stock of knowledge to devise new applications.

Commercialization - three main interpretations are:

- Research-oriented: The commercialization of research was often portrayed as a linear chain of events beginning with research and ending with the commercial success of a product. This approach neglects the convergence of technologies that is often required to create new products.
- Innovation-oriented: The commercialization of innovation focuses on the contribution to the economy of new and significantly improved products. Although many innovations have a research component, not all do.
- Competitiveness-oriented: This is the broadest perspective and includes knowledge generation (R&D and education), innovation and productivity. The perception is that improving all aspects of the system of commercialization will increase the nation's competitive advantage.

Technology Transfer - movement along a path wherein discovery, idea or invention leads into an operational system, product or service.

Science and Technology Awareness - attitudes and predisposition towards science and technology which are based on beliefs and feelings and are manifest in a series of skills and behavioural intentions from a desire to access scientific and technological knowledge, confidence to explore ramifications of that knowledge, understanding of key ideas/products and how they came about, to evaluation of the status of scientific and technological knowledge and its significance for personal, social and economic life.

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